

File No. 82-1548  
Exemption #1293-2(b)

## Second Quarter

Ended March 31, 2007

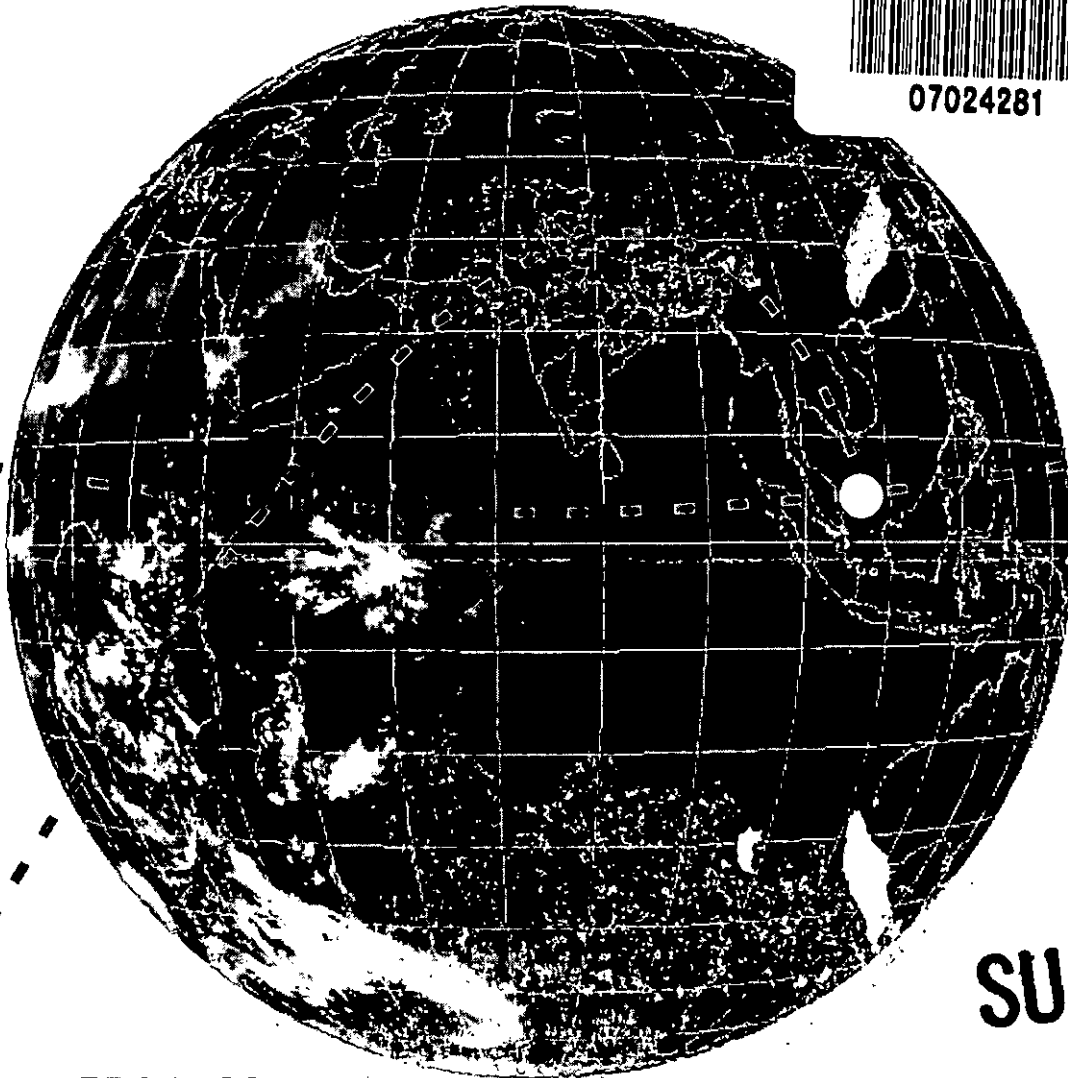
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**WIRELESS2**  
TECHNOLOGIES INC



**WIRELESS2 Technologies Inc.**  
Consolidated Balance Sheets (Unaudited)  
Expressed in Canadian Dollars

	March 31 2007 \$	September 30 2006 \$
<b>ASSETS</b>		
Current		
Cash	1,704,771	1,287,801
Accounts and holdback receivable	905,473	1,010,166
Receivable from On Guard Plus Limited	10,151	471,651
Inventory	381,046	341,074
Prepays	56,634	51,224
	<u>3,058,075</u>	<u>3,161,916</u>
Property and equipment	21,245	25,428
Other assets	149,130	145,757
	<u>3,228,450</u>	<u>3,333,101</u>
<b>LIABILITIES</b>		
Current		
Accounts payable and accrued liabilities	286,751	314,180
Deferred revenue	16,457	9,940
Loans payable (Note 5)	19,389	129,059
	<u>322,596</u>	<u>453,179</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital	14,500,112	14,500,112
Contributed surplus	401,309	401,309
Cumulative translation adjustment	(199,245)	(225,585)
Deficit	(11,796,322)	(11,795,914)
	<u>2,905,854</u>	<u>2,879,922</u>
	<u>3,228,450</u>	<u>3,333,101</u>

See accompanying notes to consolidated financial statements

On behalf of the Board



D.H. Blakeway  
Director



K.R. Tolmie  
Director

**WIRELESS2 Technologies Inc.****Consolidated Statements of Operations (Unaudited)**

Periods Ended March 31

Expressed in Canadian Dollars

	SECOND QUARTER		SIX MONTHS	
	2007	2006	2007	2006
	\$	\$	\$	\$
Revenues	989,453	813,916	1,678,527	1,322,977
Cost of sales	562,569	496,308	990,606	814,713
Gross Profit	426,884	317,608	687,921	508,264
Sales and marketing	165,044	148,752	301,832	274,841
Depreciation and amortization	4,586	4,704	8,994	9,483
General and administration	133,395	67,345	239,373	134,681
Research and development	65,440	28,960	126,386	58,070
Financing charges	15,803	393	24,662	8,345
Foreign exchange loss (gain)	(3,120)	1,134	(13,379)	5,361
	381,648	251,288	687,868	490,781
Income (loss) before income taxes	45,236	66,320	53	17,483
Income taxes	-	6,018	461	6,018
Net income (loss) from continuing operations	45,236	60,302	(408)	11,465
Loss from discontinued operations	-	(401,325)	-	(594,942)
Net Income (Loss)	45,236	(341,023)	(408)	(583,477)
Income (loss) per share from continuing operations				
Basic and diluted	\$0.00	(\$0.00)	(\$0.00)	(\$0.00)
Loss per share from discontinued operations				
Basic and diluted	\$0.00	(\$0.02)	(\$0.00)	(\$0.03)
Net Income (Loss) per share				
Basic and diluted	\$0.00	(\$0.02)	(0.00)	(\$0.03)
Weighted average number of shares				
Basic and diluted	18,812,213	18,812,213	18,812,213	18,812,213

See accompanying notes to consolidated financial statements

**Consolidated Statements of Deficit (Unaudited)**

Periods Ended March 31

Expressed in Canadian Dollars

	SECOND QUARTER		SIX MONTHS	
	2007	2006	2007	2006
	\$	\$	\$	\$
Deficit, Beginning of period	(11,841,558)	(13,517,825)	(11,795,914)	(13,275,371)
Net income (loss)	45,236	(341,023)	(408)	(583,477)
Deficit, End of period	(11,796,322)	(13,858,848)	(11,796,322)	(13,858,848)

See accompanying notes to consolidated financial statements

**WIRELESS2 Technologies Inc.**  
**Consolidated Statements of Cash Flows (Unaudited)**  
**Periods Ended March 31**  
**Expressed in Canadian Dollars**

	<b>SECOND QUARTER</b>		<b>SIX MONTHS</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>OPERATING ACTIVITIES</b>				
Net loss	45,236	60,302	(408)	11,465
Items not involving cash:				
Depreciation and amortization	4,586	4,704	8,994	9,483
Foreign exchange adjustment	6,977	1,134	24,240	7,464
Other				(1,400)
Non-cash working capital changes	(115,472)	(207,458)	497,883	(194,460)
Cash flows of continuing operations	(58,673)	(141,318)	530,709	(167,448)
Cash flows of discontinued operations		(204,263)		(298,519)
	<u>(58,673)</u>	<u>(345,581)</u>	<u>530,709</u>	<u>(465,967)</u>
<b>INVESTING ACTIVITIES</b>				
Property and equipment acquisitions			(2,183)	-
Other assets additions		(3,075)	(1,885)	(4,985)
Assets held for resale		(63,220)		(87,515)
		<u>(66,295)</u>	<u>(4,068)</u>	<u>(92,500)</u>
<b>FINANCING ACTIVITIES</b>				
Repayment of loans payable		(21,000)	(109,671)	(42,000)
		<u>(21,000)</u>	<u>(109,671)</u>	<u>(42,000)</u>
Net (decrease) increase in cash	(58,673)	(432,876)	416,970	(600,468)
Cash, beginning of period	1,763,444	1,170,990	1,287,801	1,338,582
Cash, end of period	<u>1,704,771</u>	<u>738,114</u>	<u>1,704,771</u>	<u>738,114</u>
Cash is comprised of:				
Cash in banks	1,704,771	847,968	1,704,771	847,968
Bank indebtedness		(109,854)		(109,854)
	<u>1,704,771</u>	<u>738,114</u>	<u>1,704,771</u>	<u>738,114</u>
<b>Supplementary Cash Flow Disclosure</b>				
Interest Paid	-	66,223	-	114,523
Income taxes paid	-	6,018	461	6,018

See accompanying notes to consolidated financial statements

**WIRELESS2 Technologies Inc.**  
**Notes to Consolidated Financial Statements (Unaudited)**  
**March 31, 2007 and 2006**  
**Expressed in Canadian Dollars**

**1. NATURE OF OPERATIONS**

Wireless2 Technologies Inc. (the "Company") continues to seek new ventures which will provide growth opportunities and shareholder value. On September 15, 2006, the Company sold its Corrections Division (electronic curfew monitoring) (See Note 4 of the 2006 Annual Report). The Company's subsidiary Tactical Technologies Inc. continues to design and sell sophisticated communication surveillance and intelligence gathering equipment for the law enforcement and defense industries in the United States and Canada.

**2. CHANGE OF NAME**

The Company changed its name from Strategic Technologies Inc. to Wireless2 Technologies Inc. in October, 2006.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The Company's financial statements have been prepared following Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is dependent upon future events whose outcome will not be fully known until future periods. Therefore the preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may vary from those estimated.

These unaudited interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended September 30, 2006 as set out in the Company's Annual Report.

**4. SEGMENT INFORMATION**

Commencing in fiscal 2007, the Company operates in two segments, Law Enforcement and Head Office. In fiscal 2006, the Company operated in one segment, being Law Enforcement. Consequently, comparative figures for Head Office are not available (n/a).

	SECOND QUARTER		SIX MONTHS	
	2007	2006	2007	2006
	\$	\$	\$	\$
Revenues – Head Office	12,694	n/a	22,473	n/a
Revenues – Law Enforcement	976,759	813,916	1,656,054	1,322,977
Net Income (Loss) – Head Office	(47,439)	n/a	(76,221)	n/a
Net Income (Loss) – Law Enforcement	92,675	60,301	75,813	11,465
Capital Expenditures – Head Office	63,220	n/a	87,515	n/a
Capital Expenditures – Law Enforcement	-	5,545	-	16,032
Revenues – Canada	12,694	n/a	22,473	n/a
Revenues – United States	976,759	813,916	1,656,054	1,322,977
Plant & Equipment – Canada	2,491	n/a	2,491	n/a
Plant & Equipment – United States	18,754	26,806	18,754	26,806

## 5. LOANS & NOTES PAYABLE

Western Economic Diversification Fund Loan,  
bearing interest at Bank of Canada prime lending  
rate plus 3%, due May, 2006

Loan Payable, non interest bearing, due March 3, 2005

4% Notes Payable, due March 3, 2005

2007	2006
\$	\$
	12,506
9,695	179,695
9,694	179,695
<u>19,389</u>	<u>371,896</u>

The loan payable and 4% Notes payable were due March 3, 2005. The Company has negotiated an extension of the due date to an undetermined future date which will be determined on settlement of an outstanding taxation matter in On Guard Plus Limited.

## 6. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the current year's presentation.

## **Management Discussion & Analysis** **as at May 9, 2007**

*The following discussion and analysis should be read in conjunction with the audited consolidated financial statements of the Company, and the notes relating thereto, as well as the Report to Shareholders and other management discussion in the 2006 Annual Report.*

*This report includes forward-looking statements that are based on current expectations and are subject to risks and uncertainties. Many internal and external factors may cause actual results to differ materially including, but not limited to, those outlined in Risk Management in the 2006 Annual Report. The Company disclaims any intention or obligation to update or revise any such forward-looking statements, whether as a result of new information, future events, or otherwise.*

*Additional information relating to the Company is filed on SEDAR at [www.sedar.com](http://www.sedar.com)*

*The attached financial statements have not been reviewed by the Company's auditors.*

### **General Overview**

Strategic Technologies Inc. changed its name to Wireless2 Technologies Inc. in October, 2006. Wireless2 Technologies Inc. is incorporated under the laws of British Columbia. The Company's core businesses were the manufacture and sale or rental of electronic curfew monitoring systems used in the Corrections marketplace and the manufacture and sale of sophisticated surveillance equipment to the Law Enforcement Community. In September, 2006, the Company sold its Corrections Division, including its subsidiary, On Guard Plus Limited. Its wholly owned subsidiary, Tactical Technologies Inc., has manufacturing facilities in Holmes, Pennsylvania. Tactical supplies tracking and intelligence gathering support technology used in government covert operations in the fields of surveillance and officer safety to law enforcement agencies.

The consolidated financial statements include the results and financial position of Wireless2 Technologies Inc. and its wholly owned subsidiary, Tactical Technologies, Inc.

Revenues include the gross amount billed to customers for sales of products and related services. It also includes interest earned on funds on deposit. Cost of sales includes direct expenses related to the manufacture of products.

### **Results of Operations**

The consolidated financial statements for the second quarter and six months ended March 31, 2007 include the results and financial position of Wireless2 Technologies Inc. and its wholly owned subsidiary, Tactical Technologies Inc. The Company derives the majority of its revenues in United States dollars.

Consolidated revenues for the second quarter ended March 31, 2007 were \$989,453 (\$1,678,527 for the six months) compared to \$813,916 (\$1,322,977 for the six months) for the same period last year, an increase of 21% and \$175,537 (27% and \$355,550 for the six months). Total gross profit for the second quarter was 43% (41% for the six months) of revenues compared to 39% (38% for the six months) in the prior year. The increase in gross profit percentage is attributable to the increased sales volumes against which overheads may be absorbed and from the product mix of sales.

Expenses increased \$130,360 or 52% (\$197,087 or 40% for the six months) to \$381,648 (\$687,868 for the six months) from \$251,288 (\$490,781 for the six months) in 2006. Of this amount, \$59,997 (\$98,477 for the six months) relates to head office expenses in 2007. These expenses are included in discontinued operations in 2006. Research and development expense increased \$36,480 (\$68,316 for the six months) compared to 2006 as the Company expanded its research and development personnel related to its Law Enforcement Division.

The net income from continuing operations for the second quarter was \$45,236 and \$0.00 per share (a loss of \$408 for the six months and \$0.00 per share). This compares to net income from continuing operations of \$60,302 and \$0.00 per share (\$11,465 and \$0.00 per share for the six months) in 2006. In

addition, the Company had a loss from discontinued operations of \$401,325 and \$0.02 per share (\$594,942 and \$0.03 per share for the six months) in 2006.

#### Loss from Discontinued Operations

In September, 2006, the Company sold its Corrections Division, including subsidiary, On Guard Plus Limited (See September 30, 2006 Annual Report). Accordingly, the operating results of the Division have been classified as a discontinued operation and comparative figures restated.

Quarterly Results	2 <sup>nd</sup> Qtr 2007	1 <sup>st</sup> Qtr 2007	4 <sup>th</sup> Qtr 2006	3 <sup>rd</sup> Qtr 2006
(Unaudited)	\$	\$	\$	\$
Revenues from continuing operations	989,453	689,074	681,816	496,540
Income (loss) before discontinued operations	45,236	(45,643)	2,301,305	91,502
Income (loss) from discontinued operations	-	-	253,271	(583,144)
Net income (loss)	45,236	(45,643)	2,554,576	(491,642)
Net income (loss) per share – Basic and diluted	0.00	0.00	0.14	(0.03)

Quarterly Results	2 <sup>nd</sup> Qtr 2006	1 <sup>st</sup> Qtr 2006	4 <sup>th</sup> Qtr 2005	3 <sup>rd</sup> Qtr 2005
	\$	\$	\$	\$
Revenues from continuing operations	813,916	509,061	791,565	790,165
Income (loss) before discontinued operations	60,301	(48,837)	43,161	24,727
Income (loss) from discontinued operations	(401,324)	(193,617)	33,188	(369,891)
Net income (loss)	(341,023)	(242,454)	76,349	(345,164)
Net income (loss) per share – Basic and diluted	(0.02)	(0.01)	0.01	(0.02)

The fluctuation in revenues is attributable to the changes in the level of purchasing under major government agencies purchase orders. The fourth quarter of fiscal 2005 and 2006 reflect the net effect of the sale of assets. A significant proportion of the Company's revenues and expenses are generated in US dollars. Revenues and expenses for 2005 and 2006 were reduced as the average exchange rate fell from 1.33 in 2004 to 1.22 in 2005 and 1.14 in 2006. The exchange rate for the first quarter of 2007 averaged 1.14.

#### Liquidity

Working capital at March 31, 2007 was \$2,735,479, an increase of \$26,742 from September 30, 2006.

In the second quarter, operating activities used cash of \$58,673 (generated cash of \$530,709 for the six months) compared to using cash of \$345,581 (\$465,967 for the six months) in 2006. For the six months, the collection of the majority of the receivable from On Guard Plus Limited and accounts receivable generated \$566,193 while increased inventory used cash of \$39,972. Investments in new equipment and assets used cash of \$4,068 compared to \$92,500 in 2006. The Company repaid loans payable of \$109,671 in the current period compared to repayments of \$42,000 in the prior year.



### Capital Resources

At March 31, 2007, the Company had working capital of \$2,735,479 as compared to \$2,708,734 at September 30, 2006. The Company has no long term debt and had 18,812,212 common shares issued and outstanding at March 31, 2007.

The Company had no commitments for material capital expenditures as of March 31, 2007.

The Company has no lines of credit or other sources of financing which have been arranged or are being negotiated.

The Company has adequate capital resources to meet all its obligations and fund operations going forward for the foreseeable future.

Contractual Obligations	Total	Payments Due by Period			
		Less than 1 year	1-3 years	4-5 Years	After 5 years
Debentures Payable				-	-
Operating Leases			-	-	-
Loans Payable	\$19,389*	\$19,389	-	-	-
Total Contractual Obligations	\$19,389	\$19,389	-	-	-

\*Not including interest payments

### Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements in place.

### Transactions with Related Parties

Management fees of \$38,625 (2006 - \$142,700) were charged by companies controlled by individuals who are officers or directors of the Company.

### Critical Accounting Estimates

The Company's financial statements have been prepared following Canadian generally accepted accounting principles. The measurement of certain assets and liabilities is dependent upon future events whose outcome will not be fully known until future periods. Therefore the preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results may vary from those estimated.

In particular, the amounts recorded for amortization of property and equipment and intangible assets are based on estimates of the remaining useful lives of such assets. Furthermore, the provision for warranty claims is based on past experience and the most currently available information regarding warranty costs. These estimates, and those related to the cash flows used to assess the potential impairment of property and equipment, intangible assets and goodwill are subject to measurement uncertainty and the impact on the financial statements of future periods could be material. Such estimates and assumptions have been made using careful judgments, which in management's opinion, are within reasonable limits of materiality and conform to the significant accounting policies summarized in Note 3 to the consolidated financial statements.

### Looking forward

In the past year, the Company made the decision to leave the Corrections marketplace and completed the transaction late in the 2006 fiscal year. This decision resulted in the Corrections Division being sold at a profit allowing the Company to repay all its debt. Wireless2 now has a strong financial

position to expand Tactical and search for new opportunities in the wireless marketplace. Growth requires change and the changes the Company has taken are expected to have a positive impact on its growth. Management is confident the Company can achieve its goals because it has the financial resources, the availability of business opportunities, the strategies, the people and the commitment to do everything possible to meet and exceed them.

In April 2007, Tactical moved to new larger premises in Holmes, Pennsylvania (about five miles west of Philadelphia). Tactical has received some new contracts in 2007 with US Federal government agencies and will be delivering them throughout the balance of the year. Tactical expects to achieve positive net earnings for fiscal 2007. Tactical ended the first quarter with an order backlog for equipment of approximately \$760,000.

## **Risk Management**

### **Business risks**

Although the market for our products appears to be expanding, our ability to remain competitive is dependent upon assessing changing markets and providing new products and capabilities. There can be no assurances that we will be able to do so or to meet changes in the marketplace or that the sale of new products will be profitable. Some of our competitors have greater financial resources and may be able to sustain recurring losses to establish market share at our expense.

### **Foreign exchange risks and inflation**

The Company generates the majority of its revenues in U.S. dollars. It records foreign currency denominated working capital items (generally cash, accounts receivable and certain accounts payable) in the financial statements in Canadian dollars based on spot rates for the currency at the end of the reporting period. To date, the Company has not engaged in any currency hedging to minimize the effects of foreign exchange gains or losses. Exchange rate fluctuations are partially offset by a natural hedge in that some of the expenses it incurs and its law enforcement division are denominated in U.S. currencies.

The Company does not hold and has not entered into a market risk sensitive instrument for trading purposes.

The Company believes that inflation and other changes in prices have not had a material effect on it.

"Doug H. Blakeway"

President & Chief Executive Officer  
May 11, 2007

"Ian M. Brown"

Chief Financial Officer  
May 11, 2007

### Directors and Officers

<b>Doug H. Blakeway*</b>	<b>Bernhard J. Zinkhofer*</b>
Director, President & Chief Executive Officer	Director
WIRELESS2 Technologies Inc.	WIRELESS2 Technologies Inc.
Director, Chairman & Chief Executive Officer	
TACTICAL Technologies Inc.	
<b>Ian M. Brown</b>	<b>Kenneth R. Tolmie*</b>
Director, Vice President, Secretary & Chief Financial Officer	Director, Audit Committee Chairman
WIRELESS2 Technologies Inc.	WIRELESS2 Technologies Inc.
<b>Richard B. Snyder</b>	
President	
TACTICAL Technologies Inc.	
*Denotes member of Audit Committee	

### Corporate Information

<b>WIRELESS2 Technologies Inc. (Canada)</b>	
# 103 – 6592 – 176 Street	Stock Exchange Listing
Surrey, British Columbia V3S 4G5	<b>TSX Venture Exchange</b> Symbol – <b>WIT</b>
	In the USA, Sec. 12g – exemption #82-1548
Website: <a href="http://www.w2tec.com">www.w2tec.com</a>	<b>Trade USA Pink Pages</b> Symbol – <b>SGTKF</b>
eMail: <a href="mailto:wire2tec@gmail.com">wire2tec@gmail.com</a>	
Wholly-owned subsidiaries	
<b>TACTICAL Technologies Inc. (United States)</b>	<i>Strategic Monitoring Services, Inc. (inactive)</i>
Legal Counsel and Records Office	Registrar and Transfer Agent
<b>Lang Michener</b>	<b>Computershare Investor Services Inc.</b>
1500 – 1055 West Georgia Street	408 – 510 Burrard Street
Vancouver, British Columbia V6E 4N7	Vancouver, British Columbia V6C 3B9
Auditors: <b>Deloitte &amp; Touche LLP</b>	Common Shares Authorized: Unlimited
Bankers: <b>Toronto Dominion Bank</b>	Common Shares Issued: 18,812,213
	(at May 9, 2007)

END

